

IN THE MATTER OF

Abitibi Power & Paper Company Limited

REPORT

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Abitibi Power & Paper Company Limited

On June 1st, 1932, Abitibi Power & Paper Company Limited failed to make payment of the half yearly interest coupons maturing on \$48,267,000 of First Mortgage Five Per Cent. Gold Bonds which stood issued by it and outstanding in the hands of the public, and under the terms of the Indenture and Mortgage securing such bonds the Company had sixty days within which it was entitled to make payment of such coupons and thereby avoid default. This was not done; accordingly Montreal Trust Company, as Trustee for Bondholders, made application for the appointment of a Receiver and Manager of the assets and undertaking of the Company covered by the Indenture and Mortgage, and under date of September 10th, 1932, the undersigned was by Order of the Supreme Court of Ontario so appointed. Application was later made by an unsecured Creditor for the appointment of a Liquidator for Abitibi Power & Paper Company Limited, and F. C. Clarkson was so appointed on September 26th, 1932; such Liquidator is an Officer of Court and is subject to its supervision, but has no right to in any way interfere with the assets and undertaking in the hands of the Receiver and Manager (who is also an Officer of Court) or in the operations being conducted by him.

On the appointment of the undersigned as Receiver and Manager a survey and appraisal of the assets and undertakings of the Company was made—taking a number of weeks' time to effect—and thereafter the attached statement of Assets and Liabilities was prepared. In the preparation of such statement trading and current assets are included at estimated market or replacement prices, as the amounts believed to be recoverable from them, and certain investments in the bonds of non-affiliated corporations are similarly treated. Investments of the Company in directly owned mills, townsites, railways, timber limits, power plants and also in the securities of wholly owned subsidiaries are shown at book values (less relative reserves against the same) for the reason that it is impossible in the present state of the newsprint paper industry to make estimates of the presently realizable values of such properties with any certainty that the same will be correct. Based upon probable replacement costs and/or present earning capacity, it is believed, however, that the aggregate value of such assets will be substantially less than book values.

LIABILITIES OF THE COMPANY

The obligations of the Company divide themselves into the following classes, namely:

- (a) Bankers' Advances, claimed to be secured by collateral held there against.
- (b) Secured or preferred claims payable in priority to the charge in favor of the Bondholders, with other amounts estimated as necessary to be paid to protect the investments of Abitibi Power & Paper Company Limited in subsidiary Corporations, and also to conserve the undertakings of the Company.
- (c) Bonds issued by the Company, with overdue and accrued interest thereon, including taxes repayable in respect of interest coupons paid.
- (d) Unsecured Creditors' claims, also claims under guarantees and contracts and deficiency claims which may be made by secured Creditors.
- (e) The rights and interests of Preferred Stockholders and—junior thereto—those of Common Stockholders.

The liabilities of Abitibi Power & Paper Company Limited under each of such foregoing heads were as follows:

(a) BANKERS' ADVANCES \$4,261,038.36.

These advances, with interest, amounted on September 10th, 1932, to.....\$4,261,038.36 and were claimed to be secured by the following assets:

- (1) Deposits in the hands of such Bankers at the date of the receivership \$ 599,610.91
- (2) Assignment of accounts receivable, valued at..... 1,754,805.26
- (3) Section 88 of the Bank Act constituting a lien and charge upon certain inventories of the Company appraised at..... 1,791,616.21
- (4) 100,000 shares, being the whole of the Common Capital Stock of Provincial Paper Limited, herein estimated at the arbitrary value of..... 1,500,000.00

\$5,646,032.38

Less—Certain wage claims outstanding at the date of receivership which, under the provisions of the Bank Act, have to be paid out of the assets covered by Section 88 of the Bank Act, before the proceeds thereof may be applied towards reduction of the Bankers' advances—these wage claims amounted to..... 76,151.97

5,569,880.41

Leaving a nominal surplus of.....\$1,308,842.05

The securities held by the Bankers are being investigated by Counsel to determine whether they are valid and effective.

(b) SECURED AND PREFERRED CLAIMS PAYABLE IN PRIORITY TO BONDHOLDERS' CLAIMS—
ALSO AMOUNTS ESTIMATED AS NECESSARY TO BE PAID TO PROTECT THE INVESTMENTS
OF THE COMPANY IN SUBSIDIARY CORPORATIONS AND THE UNDERTAKING OF ABITIBI
POWER & PAPER COMPANY LIMITED.....\$1,105,301.02

These liabilities were largely comprised of amounts due to the Province of Ontario in connection with timber concessions held by the Company; also for Corporation, Land and School taxes; power bills owing in respect of operating mills; and for liens and fully secured claims—they also include amounts estimated as necessary to be paid to protect the investments of the Company in subsidiary corporations and to cover certain credits which, with reductions in the market price of newsprint paper, are necessary to be given to customers to retain their business.

(c) CLAIMS OF BONDHOLDERS \$50,161,691.66.

Of this item \$48,267,000 represents the principal of the First Mortgage Five Per Cent. Gold Bonds issued by the Company and presently outstanding, to which has been added interest overdue and accrued to September 10th, 1932, \$1,877,050, and \$17,641.66 for taxes repayable in respect of interest coupons, and certain minor charges. Principal and interest on such bonds are payable in gold coin of the United States of America, or at the fixed rate of \$4.86 $\frac{2}{3}$ to the pound (£) sterling, or in Canadian currency, at the option of each holder thereof.

(d) ORDINARY CLAIMS.

These claims are comprised of two classes, namely:

- (1) Trade claims, which amounted at the date of the receivership and according to the records of the Company to \$291,689.20;
- (2) Contingent, damage and possible deficiency claims, which were comprised of the following:

(A) In January, 1932, Abitibi Power & Paper Company Limited entered into an agreement with Consolidated Water Power & Paper Company, of Wisconsin Rapids, Wisconsin, for the purchase of the whole of the capital stock of a corporation, known as Thunder Bay Paper Company Limited, which owns a paper mill located in Port Arthur, Ontario. The price agreed to be paid for such shares was \$3,090,000, payable \$215,000 in cash, and the balance, with interest, over a period of ten years. At the date of the receivership, principal and interest remaining to be paid on the purchase amounted

to \$2,828,238.61, and as security therefor the whole of the capital stock of Thunder Bay Paper Company Limited stood pledged with the Vendors. In the event that Abitibi Power & Paper Company Limited shall default in carrying out the terms of the Agreement and such default shall continue uncured for a period of sixty days, the Vendors have the right to sell the shares pledged to them and to claim against the Company for any deficiency, should there be such. The conditions leading up to, and now existing in respect of, the purchase of shares of the Thunder Bay Paper Company Limited, are more fully set out under the heading "Assets of Company".

(B) In the years 1928, 1929 and 1930, Abitibi Power & Paper Company Limited subscribed for 15,603 shares of a par value of \$1,560,300 of the capital stock of Newsprint Bond and Share Company, which owns a voting control in the capital stock of Bathurst Power & Paper Company Limited, which in turn owns a pulp and newsprint paper mill in New Brunswick, Canada. Of the shares so subscribed for 8,361 were fully paid for and 1,736 partly paid for at an aggregate cost to Abitibi Power & Paper Company Limited of \$951,836. The balance remaining unpaid and/or uncalled upon the subscriptions at the date of receivership was \$608,464.

(C) Banque Canadienne Nationale, Quebec, P.Q., had, prior to the date of the receivership, made advances to the Murray Bay Paper Company Limited (a wholly owned subsidiary of Abitibi Power & Paper Company Limited) to the amount of \$35,493.15. Such advances are secured by Section 88 of the Bank Act on pulpwood of doubtful value and the guarantee of Abitibi Power & Paper Company Limited. Banque Canadienne Nationale claims the right under such guarantee to retain certain deposits made with it by Abitibi Power & Paper Company Limited amounting to \$29,083.55, and to claim against the Company for any deficiency, should there be such.

(D) Under certain contracts made between Abitibi Power & Paper Company Limited and Ontario Power Service Corporation Limited—which contracts were transferred to Montreal Trust Company, as Trustee for Bondholders of Ontario Power Service Corporation Limited—Abitibi Power & Paper Company Limited undertook to provide or obtain moneys—estimated at the time at between \$4,000,000 and \$5,000,000—for the completion of a power development (at Abitibi Canyon on the Abitibi River, Ontario) construction of which was undertaken by Ontario Power Service Corporation Limited; these moneys it has failed to provide or obtain. In addition Abitibi Power & Paper Company Limited agreed to purchase certain amounts of primary and secondary electric power—estimated to exceed 100,000 h.p.—from Ontario Power Service Corporation Limited and to pay for the same at rates provided in such Agreement. Ontario Power Service Corporation Limited is presently in receivership, with its power development uncompleted. When and if such development shall be completed, Ontario Power Service Corporation Limited and/or the Bondholders thereof, or the purchasers of its undertaking, may have a claim against Abitibi Power & Paper Company Limited if it shall fail to take and pay for the power so contracted for.

(E) Under date of July 1st, 1930, Abitibi Power & Paper Company Limited entered into a contract with The Hydro Electric Power Commission of Ontario to purchase 10,000 h.p. for 20 years from such Commission at a cost of approximately \$27 per h.p. per annum for use in its mill at Espanola, Ontario.

(F) In the year 1926, Murray Bay Pulp Company Limited (a predecessor of Murray Bay Paper Company Limited, which is a wholly owned subsidiary of Abitibi Power & Paper Company Limited) entered into an agreement with Donohue Bros. Limited, Quebec, P.Q., whereunder it leased a certain groundwood pulp mill and timber limits, for the period of twenty years, at an annual rental payment with other charges required to be met, of upwards of \$150,000; later, when Murray Bay Paper Company Limited (the present Company) acquired the undertaking, Abitibi Power & Paper Company Limited guaranteed fulfilment of the obligations under such agreement and lease. Should default be made in carrying out the terms of the lease and the payment of the rentals provided thereunder, Donohue Bros. Limited may have a claim against Abitibi Power & Paper Company Limited.

CAPITAL STOCK:

This consists of:

- (a) 10,000 7% Cumulative Preferred shares, of a par value of \$100 each and an aggregate value of \$1,000,000.
- (b) 348,818 shares of 6% Cumulative Preferred stock, of a par value of \$100 each, and an aggregate value of \$34,881,800.
- (c) Common shares, of no par value, issued and outstanding number 1,088,117.

ASSETS OF COMPANY

The assets of Abitibi Power & Paper Company Limited may, generally speaking, be divided into the following classes, namely:

- (a) Equities in assets claimed to be pledged with the Company's Bankers.
- (b) Current assets not pledged with Company's Bankers but claimed to be covered by the floating charge in the Indenture and Mortgage securing Bondholders.
- (c) Investments in bonds and debentures of corporations not affiliated with Abitibi Power & Paper Company Limited.
- (d) Investments in shares of and advances to corporations not subsidiaries of Abitibi Power & Paper Company Limited.
- (e) Investments in bonds and shares of and advances to wholly owned subsidiaries.
- (f) Mills, townsites, buildings, railways and water powers, directly owned by Abitibi Power & Paper Company Limited.
- (g) Timber concessions and freehold timber.
- (h) Other real estate and buildings.
- (i) Chattels and equipment.
- (j) Prepaid expense and operating items.

Dealing with them in order:

(a) **ASSETS CLAIMED TO BE PLEDGED WITH BANKERS:**

The estimated amount and value of these assets with the advances of Bankers claimed to be secured thereon, is dealt with under the heading "Liabilities of Company"—the nominal equity therein as shown was.....\$1,308,842.05

(b) **CURRENT ASSETS NOT PLEDGED TO BANKERS BUT CLAIMED TO BE COVERED BY FLOATING CHARGE IN FAVOR OF BONDHOLDERS UNDER THE INDENTURE AND MORTGAGE SECURING BONDS.**

These were comprised of

(1) Cash on hand and on Deposit.....	\$ 53,369.53
(2) Deposits in the hands of Montreal Trust Company as Trustee for Bondholders..	33,099.61
(3) Fire losses deemed collectible.....	8,147.66
(4) Estimated Inventories comprised of—	
Mill operating supplies and repair parts.....	\$530,540.26
Townsite supplies.....	10,146.03
Mercantile Inventories.....	89,983.01
	630,669.30

TOTAL.....\$725,286.10

The inventories above mentioned are of such a character that they cannot be rapidly liquidated but must be substantially maintained for the protection of the mills and operation of the business of the Company.

(c) **INVESTMENTS IN BONDS AND DEBENTURES OF CORPORATIONS NOT AFFILIATED WITH ABITIBI POWER & PAPER COMPANY, LIMITED.**

These were almost entirely comprised of bonds of Canadian Pulp & Paper Research Corporation and debentures of the Town of Smooth Rock Falls, with certain other minor items. The book cost of such securities was \$109,479.67, and their value is estimated at \$40,000.

(d) **INVESTMENTS IN SHARES OF AND ADVANCES TO CORPORATIONS WHICH ARE NOT WHOLLY OWNED SUBSIDIARIES.**

The aggregate amount of these investments and advances was \$875,374.38, of which \$696,736 represented payments (less certain amounts written off) on subscriptions for shares of Newsprint Bond and Share Company, while \$152,889.38 represented advances to and investments in shares (less certain writings off) of The Hebecourt Corporation Limited, owners of an agreement covering the right to purchase certain timber lands in the Province of Quebec; the remainder of the item consisted of minor investments in the shares of six other Companies. The present realizable value of all these investments is uncertain but it will not likely exceed a small proportion of book costs.

Abitibi Power & Paper Company Limited is also the owner of 100,000 being the whole of the Common shares of Provincial Paper Limited, which is not a wholly owned subsidiary by reason of its Bonds and Preferred shares being owned by the Public. These Common shares are claimed to be held by the Bankers of Abitibi Power & Paper Company Limited as collateral security for advances made, as hereinbefore mentioned.

(e) INVESTMENTS IN THE SECURITIES OF AND ADVANCES TO SUBSIDIARY CORPORATIONS.

These amounted to \$45,214,591.69 and were comprised of advances to and investments in the bonds and shares of wholly owned subsidiaries—shown on the books of the Company as follows:

(1) Manitoba Paper Company Limited.....	\$10,102,415.57
(2) Ste. Anne Paper Company Limited.....	13,618,692.68
(3) Murray Bay Paper Company Limited.....	5,783,916.22
(4) Abitibi Electric Development Company Limited.....	6,638,712.24
(5) Kaministiquia Power Company Limited.....	4,065,503.40
(6) Mattagami Railroad Company.....	152,218.10
(7) Iroquois Falls Drug Company Limited.....	6,000.00
(8) Thunder Bay Paper Company Limited.....	4,921,717.74
(9) Ontario Power Service Corporation Limited.....	160,475.55
(10) Animika Improvement Company Limited.....	1,250.00
(11) Vermillion River Boom Company Limited.....	2,780.00
(12) Spanish River Improvement Company Limited.....	8,634.00
TOTAL.....	\$45,462,315.50
Less—General Reserves against properties of subsidiary companies.....	247,723.81
Leaving a net book value of.....	\$45,214,591.69

Dealing with these investments in order:

(1) MANITOBA PAPER COMPANY LIMITED:

As of date September 10th, 1932, the investments of Abitibi Power & Paper Company Limited in Manitoba Paper Company Limited were comprised of—

(a) 5% First Mortgage Gold Bonds due 1968.....	\$6,500,000.00
(b) 5% First Mortgage Gold Bonds due 1971.....	425,000.00
Interest accrued on the above to August 31st, 1932.....	86,562.50
	\$7,011,562.50
(c) Advances by Abitibi Power & Paper Company Limited.....	1,590,853.07
(d) Common stock owned, book value thereof.....	1,500,000.00
TOTAL.....	\$10,102,415.57

The bonds and capital stock above mentioned constitute the whole of their respective issues.

Manitoba Paper Company Limited is the owner of an integrated newsprint paper mill, located at Pine Falls, Manitoba, of a rated capacity of 78,000 tons per annum; it is also reported to be the holder of certain timber concessions in the Province of Manitoba—estimated to contain about 2,500,000 cords of pulpwood—and of an undeveloped water power concession on the Winnipeg River, Manitoba, estimated to be capable with development of producing 75,000 electrical h.p. Contention has been advanced that the Company has failed to comply with certain conditions contained in the concessions covering timber limits and that the Province of Manitoba is entitled, if it shall so require, to cancel the same—should such concessions be cancelled it is stated that the Company would have little difficulty, for a number of years, in purchasing from settlers all pulpwood required for operation of the mill. The Pine Falls mill is reported to be a low cost and efficient mill but at the date of receivership it was closed down, with no pulpwood inventories available to permit operation. Power for operation of the mill is obtained under contract with the Manitoba Power Company Limited at an annual cost of approximately \$264,000—this contract expires on December 31st, 1936.

Overdue debts of the Company amounted to approximately \$100,000, while the costs of carrying the property shut-down, including power bills, amounted to about \$340,000 per annum. Efforts are on foot to relieve the Company of the larger part of such carrying costs and liabilities by compromise or receivership.

(2) STE. ANNE PAPER COMPANY LIMITED:

The book investment of Abitibi Power & Paper Company Limited in Ste. Anne Paper Company Limited is comprised of—

(a) First Mortgage Gold Bonds due June 1st, 1968.....	\$7,895,000.00
Interest accrued to August 31st, 1932.....	98,687.50
(b) Advances by Abitibi Power & Paper Company Limited.....	\$7,993,687.50
(c) Common stock owned—book value thereof.....	5,125,005.18
TOTAL.....	\$13,618,692.68

The bonds and capital stock mentioned constitute the entire issues thereof.

Ste. Anne Paper Company Limited is the owner of an integrated newsprint paper mill located at Beupre, in the Province of Quebec, and is reported to hold certain timber concessions under license from the Province of Quebec—also cutting rights over areas owned by the Seminary of Ste. Anne and the Seigneurie of Baie de St. Paul, which concessions and areas are estimated to contain about 2,000,000 cords of pulpwood. Power for the operation of the mill is obtained under a contract with The Shawinigan Water and Power Company which obligates the Company to pay approximately \$327,000 per annum. The Ste. Anne mill is represented to be an efficient operating unit.

At the date of the receivership the Ste. Anne mill was closed down, and was reported to have on hand approximately 100,000 cords of pulpwood, of an estimated value of \$725,000—secured by charge upon such pulpwood were Bankers' advances of \$265,000, while other liabilities of the Company amounted to approximately \$140,000. Costs of carrying the property shut down, including the power bills mentioned, are estimated at \$417,000 per annum, and arrangements are now on foot to compromise the liabilities of \$140,000 and to relieve Ste. Anne Paper Company Limited of the greater portion of such shut-down carrying costs.

(3) MURRAY BAY PAPER COMPANY LIMITED:

Investments of Abitibi Power & Paper Company Limited in Murray Bay Paper Company Limited amounted on September 10th, 1932, to \$5,783,916.22, and were comprised of—

(a) First Mortgage Gold Bonds due June 1st, 1968.....	\$2,670,000.00
Interest accrued thereon to August 31st, 1932.....	33,375.00
(b) Advances by Abitibi Power & Paper Company Limited.....	\$2,703,375.00
(c) Capital stock owned—book value thereof.....	2,830,541.22
TOTAL.....	\$5,783,916.22

the bonds and capital stock mentioned being the total issues thereof.

Murray Bay Paper Company Limited is the owner of a newsprint paper mill located at Murray Bay, Province of Quebec, with a rated annual capacity of about 34,000 tons; such paper mill, which was equipped in part with second-hand paper machines acquired from a mill in the United States, has not been operated since the date of its construction. A groundwood pulp mill, necessary to operation of the paper mill, and certain timber limits (estimated to contain about 2,300,000 cords of pulpwood) are reported to be held by the Company under a lease expiring in 1946, at a rental cost—plus certain other charges required to be paid—of approximately \$150,000 per annum. Payment of such rentals is claimed to have been guaranteed by Abitibi Power & Paper Company Limited. Power for the operation of the pulp mill and paper mill is obtained under a contract from Quebec Power Company at an approximate cost of \$98,400 per annum, while in addition it is alleged that Murray Bay Paper Company Limited is obligated to pay \$22,697 annually, for a period of fourteen years, to Quebec Power Company in connection with the construction of a power line to its properties. Additional costs of carrying the property closed down amount to approximately \$40,600 per annum, while the Company may also be under liability to pay \$35,200 in connection with the purchase of certain houses, and owes \$47,000 of other overdue liabilities. Question arises as to whether under existing conditions, Abitibi Power & Paper Company Limited is justified in maintaining the property and lease at a carrying cost estimated at upwards of \$323,000 per annum.

(4) ABITIBI ELECTRIC DEVELOPMENT COMPANY LIMITED:

As of date September 10th, 1932, the investments of Abitibi Power & Paper Company Limited in Abitibi Electric Development Company Limited were comprised of—

(a) 5% First Mortgage Gold Bonds, due June 1st, 1968.....	\$5,155,000.00
Interest accrued thereon to August 31st, 1932.....	64,437.50
	\$5,219,437.50
(b) Advances by Abitibi Power & Paper Company Limited.....	1,319,269.74
(c) Capital stock owned—book value thereof.....	100,005.00
TOTAL.....	\$6,638,712.24

the bonds and capital stock mentioned constitute the whole of the issues thereof.

Abitibi Electric Development Company Limited is the owner of a water power lease at Island Falls, on the Abitibi River, in the Townships of Menapia and Tolmie, in the Province of Ontario, at which point a hydro electric development, estimated to be capable of producing 30,000 electrical h.p. in low water periods and 50,000 h.p. in high water periods, has been constructed. The Company is also reported to own an undeveloped water power at the Long Sault, on the Abitibi River, between Iroquois Falls and Island Falls, in the Province of Ontario, estimated to be capable, with development, of producing 30,000 electrical h.p.—the realizable value of this power, if any, is uncertain.

The Island Falls development is reported to have been acquired by Abitibi Power & Paper Company limited for the purpose of affording an additional supply of electric power to its paper mill at Iroquois Falls, Ontario, and with operation of such paper mill to any substantial proportion of productive capacity, it is stated that the whole of the Island Falls power can be employed there. Owing to the reduced demand for newsprint paper the Iroquois Falls mill has not been operating to full capacity since July, 1931, and such being the case Abitibi Electric Development Company Limited has, since October 1st, 1931, supplied The Hydro Electric Power Commission of Ontario with up to 25,000 h.p. at a price of \$13 per h.p. per annum, which supply of power may cease at any time, in which event the only demand upon the Island Falls development, so far as can presently be seen, will be for such power as may be required by the Iroquois Falls mill.

Under date of October 1st, 1931, Abitibi Electric Development Company Limited contracted to buy 35,000 h.p. per annum, for a period of forty years, from The Hydro Electric Power Commission of Ontario at a price of \$13 per h.p. delivered at or near Abitibi Canyon, Ontario. No delivery of power has as yet been made or offered under such contract.

(5) KAMINISTIGUIA POWER COMPANY LIMITED:

As of date September 10th, 1932, Abitibi Power & Paper Company Limited had \$4,065,503.40 invested in Kaministiquia Power Company Limited, comprised of—

(a) 5% First Mortgage Bonds, due June 1st, 1968.....	\$3,500,000.00
Interest accrued to August 31st, 1932.....	43,750.00
	\$3,543,750.00
(b) Common stock owned—book value thereof.....	950,000.00
	\$4,493,750.00
Less—due by Abitibi Power & Paper Company Limited to Kaministiquia Power Company Limited.....	428,246.60
Leaving a net balance of.....	\$4,065,503.40

The bonds and stock mentioned constitute the entire issues thereof

Kaministiquia Power Company Limited is the owner of a water power concession at Kakabeka Falls on the Kaministiquia River, in the Province of Ontario, where a hydro electric development is constructed said to be capable of producing approximately 35,000 electrical h.p. The Company is the owner of franchises permitting it to operate in the City of Fort William and vicinity, where it supplies power for commercial purposes to about 40 customers, including the Fort William paper mill owned by Abitibi Power & Paper Company Limited. It operates in competition with the Public Utilities Commission of the City of Fort William, which supplies such City and the residents thereof with electricity.

(6) MATTAGAMI RAILROAD COMPANY:

Abitibi Power & Paper Company Limited is the owner of the whole of the capital stock of the Mattagami Railroad Company, the book value of which is.....\$250,000.00
Advances made by Mattagami Railroad Company to Abitibi Power & Paper Company Limited amounted on September 10th, 1932, to..... 97,781.90
Leaving a net balance of.....\$152,218.10

Mattagami Railroad Company is the owner of approximately three and one half miles of standard gauge railway line, located between the Canadian National Railway and the sulphite pulp mill owned and operated by Abitibi Power & Paper Company Limited at Smooth Rock Falls, Ontario. The line is equipped with a locomotive and cars, and profits of minor amount are earned by it.

(7) IROQUOIS FALLS DRUG COMPANY LIMITED:

This Company is wholly owned by Abitibi Power & Paper Company Limited and operates a drug store at Iroquois Falls, Ontario. Capital invested in the undertaking is \$6,000.

(8) THUNDER BAY PAPER COMPANY LIMITED:

At the date of the receivership of Abitibi Power & Paper Company Limited its investment in Thunder Bay Paper Company Limited was comprised of moneys advanced to General Power & Paper Company Limited prior to January 1st, 1932, in respect of the purchase by such Company of shares of Thunder Bay Paper Company Limited—to the amount of\$6,360,320.39
and amounts paid by Abitibi Power & Paper Company Limited, in the period between January 1st, 1932 and September 10th, 1932, in respect to the subsequent direct purchase by it of the capital stock of Thunder Bay Paper Company Limited were..... 294,545.48
A total of.....\$6,654,865.87
of which there had been written off by Abitibi Power & Paper Company Limited.. 1,733,148.13
Leaving a net book investment of.....\$4,921,717.74

In 1929 a corporation known as General Power & Paper Company Limited (which was owned jointly and in equal proportions by Abitibi Power & Paper Company Limited and Canada Power & Paper Company Limited) entered into an agreement with Consolidated Water Power & Paper Company, of Wisconsin Rapids, Wisconsin, for the purchase of 20,000 shares, being the entire capital stock of Thunder Bay Paper Company Limited which owned an integrated paper mill of a rated capacity of about 78,000 tons per annum, located in the City of Port Arthur, and also certain current assets; in addition it held a timber concession from the Province of Ontario. The price agreed to be paid for the shares of Thunder Bay Paper Company Limited is reported to have been approximately \$14,100,000, and a substantial portion of such price was paid in cash, while the balance was spread over time. As security for the payment of such deferred instalments the shares of Thunder Bay Paper Company Limited were pledged with the Vendors who had the right to realize upon them in the event of default in the payment of any instalment.

In January, 1932, Canada Power & Paper Company Limited failed to contribute its proportion of an instalment which matured, thereby producing default under the terms of the purchase agreement and giving the Vendors the right to dispose of the Thunder Bay Company shares. Abitibi Power & Paper Company Limited thereupon entered into an agreement with the Vendors to purchase such shares at the amount remaining to be paid under the original contract (\$3,090,000), payable \$215,000 in cash and the balance in monthly instalments—with interest payable semi-annually—over a period of ten years. Under such agreement the shares of Thunder Bay Paper Company Limited were pledged with the Vendors as security for the payment of the deferred instalments, and the Vendors were given the right to sell and dispose of the same in the event that default should occur and remain uncured for a period of sixty days. It was also stipulated that in the event that any tax liens should be filed against the properties of Thunder Bay Paper Company Limited, and/or its current liabilities exceed its current assets, default would be created. Certain tax liens had been filed against the properties of the Thunder Bay Company prior to the date of receivership of Abitibi Power & Paper Company Limited, and at such time current liabilities of Thunder Bay Paper Company Limited also exceeded its current assets; accordingly under date of October 7th, 1932, the Vendors notified

the Receiver and Manager of Abitibi Power & Paper Company Limited of their intention to sell the shares of Thunder Bay Paper Company Limited. Steps were taken by the Receiver and Manager to cure such default.

The Thunder Bay Paper mill is well located—at the head of the Great Lakes—to supply Publishers in the Middle West States and at Lake Ports, and while not reported to be one of the lowest manufacturing cost mills of Abitibi Power & Paper Company Limited, it is stated to be an efficient unit. The timber concession held covers 1491 sq. miles on the east shore of Lake Nipigon and is estimated to contain about 5,300,000 cords of pulpwood—certain conditions contained in such concession have, it is reported, not been lived up to, and if such be the case the Province of Ontario may be entitled to cancel it should it determine to do so. As of date October 31st, 1932, the Company had current assets reported to amount to approximately \$1,100,000, and liabilities, including Bankers' advances, of about \$1,000,000. In addition it owed a substantial amount to Abitibi Power & Paper Company Limited, payment of which stood deferred.

(9) ONTARIO POWER SERVICE CORPORATION LIMITED:

The holdings of Abitibi Power & Paper Company Limited in Ontario Power Service Corporation were comprised of:

(a) 20,015 Common Shares of a book value of	\$2,001,500.00
5 Common shares of a book value of	5.00
(Of these shares 20,000 were issued for services rendered and to be rendered by the Abitibi Company and do not represent a cash investment.)	\$2,001,505.00
Less—amounts written off prior to date of receivership	2,000,000.00
	\$ 1,505.00
(b) Expenditures made by Abitibi Power & Paper Company Limited, prior to April 1st, 1930	87,982.61
(c) Moneys advanced by Abitibi Power & Paper Company Limited, to Ontario Power Service Corporations Limited	70,987.94
TOTAL	\$160,475.55

Ontario Power Service Corporation Limited was incorporated under the provisions of the Statutes of the Province of Ontario on November 5th, 1926, under the name of "Hudson's Bay Power Company Limited," which name was subsequently changed to "Ontario Power Service Corporation Limited." It was promoted and organized by Abitibi Power & Paper Company Limited—it obtained a lease from the Ontario Government of a water power site at Abitibi Canyon on the Abitibi River in Northern Ontario, and on or about September 1st, 1930, construction of a hydro electric development of an estimated capacity of about 275,000 electrical h.p. was commenced. Estimated costs of construction of such development are stated to have been \$23,000,000 and in order to assist towards financing the same Ontario Power Service Corporation Limited, on July 1st, 1930, created an issue of \$20,000,000 5½ per cent. First Closed Mortgage Sinking Fund Gold Bonds, maturing on July 1st, 1950, which bonds were sold to produce approximately \$17,800,000, Abitibi Power & Paper Company Limited agreeing, on its part, to provide or obtain any further moneys required to complete the development.

As security for the \$20,000,000 of bonds issued and sold, Ontario Power Service Corporation Limited, executed a Deed of Trust and Mortgage upon the water power lease, hydro electric development and all other of its assets, in favor of Montreal Trust Company as Trustee, and did, also, assign to such Trustee, as security for such bonds:

(a) A contract dated April 10th, 1930, between The Hydro Electric Power Commission of Ontario and Ontario Power Service Corporation Limited, whereunder the former agreed to purchase up to a maximum of 100,000 electrical h.p. per annum, over an extended period of years, at the price of \$13 per h.p. of contract demand.

(b) A contract dated August 18th, 1930, between Ontario Power Service Corporation Limited and Abitibi Power & Paper Company Limited, whereunder the latter agreed to purchase and pay for all power produced by the Canyon development over and above that sold to The Hydro Electric Power Commission of Ontario and other customers, and to pay for the same as primary and secondary power at rates prescribed in such agreement. The power so to be taken and paid for had to be sufficient to assure the Power Company of net earnings in excess of the amounts required to meet bond interest and sinking funds.

Abitibi Electric Development Company Limited, by agreement dated October 1st, 1931, undertook to buy from The Hydro Electric Power Commission of Ontario, 35,000 h.p.—at the price of

\$13 per h.p., but the Commission reserved the right for ten years to take back such portion of the 35,000 h.p. as it might require.

Under the Deed of Trust and Mortgage securing the \$20,000,000 bonds of Ontario Power Service Corporation Limited, the proceeds of sale realized therefrom were deposited with Montreal Trust Company, as Trustee for Bondholders, to be paid out against progress certificates covering costs of construction of the Canyon Development, and for bond interest during construction, and it was further provided that when the moneys in the hands of the Trustee stood reduced to \$2,000,000 it should not be called upon to pay out any part of the same until Abitibi Power & Paper Company Limited had produced satisfactory evidence that funds were actually available to complete the development. When moneys in the hands of the Trustee were reduced to \$2,500,000 or thereabouts, Abitibi Power & Paper Company Limited was unable to give such assurances, and Ontario Power Service Corporation Limited became financially involved, necessitating the closing down of the work and leaving the development in an incomplete condition. It made default in the payment of interest on its bonds on July 1st, 1932. The Hydro Electric Power Commission of Ontario in August 1932, made an offer to Bondholders of Ontario Power Service Corporation Limited for the purchase of their bonds, and information is that practically all but a very minor amount of such bonds are now owned by the Commission. Recently Ontario Power Service Corporation Limited passed into the hands of a Receiver and it appears that an order of Court has been made for the sale of its property and assets. This may result in a substantial claim against Abitibi Power & Paper Company Limited in respect of the contracts entered into by it, to furnish funds for the completion of the Canyon plant and to purchase power.

Under the circumstances it is believed that the claim of Abitibi Power & Paper Company Limited in respect of its ownership of shares in and advances to Ontario Power Service Corporation Limited will prove to be of no value.

(10) BOOM COMPANIES:

Abitibi Power & Paper Company Limited had at the date of the receivership \$12,664 invested in the securities of three small Boom Companies, the assets of which are believed to be worth sufficient to return the amount of such investment.

RESERVES:

Against such investments—being items 1 to 10 above—aggregating \$45,462,315.50, the Company had a general reserve of \$247,723.81 set up on its books.

INVESTMENTS IN MILLS AND EQUIPMENT, RAILWAYS, WATER POWERS, TOWNSITES AND BUILDINGS DIRECTLY OWNED BY ABITIBI POWER & PAPER COMPANY LIMITED:

These were at the date of receivership comprised of the following:

(a) A newsprint paper mill, townsite, railway and other properties at Iroquois Falls, Ontario, of a book value of.....	\$24,025,875.98
(b) Sulphite pulp mill, power plant, townsite and buildings at Smooth Rock Falls, Ontario—book value thereof.....	7,645,636.96
(c) Newsprint paper mill at Fort William, Ontario, of a book value of.....	6,662,937.16
(d) Newsprint paper mill, real estate, buildings, vessels and equipment at Sault Ste. Marie, Ontario—book value.....	16,738,989.60
(e) Newsprint paper mill, townsite, water powers, real estate and buildings at Espanola, Ontario—book value.....	10,269,569.18
(f) Newsprint paper mill, townsite, buildings and water power at Sturgeon Falls, Ontario—book value.....	6,418,396.76

TOTAL.....\$71,761,405.64

Less—General Reserve against investments in Townsites....\$ 500,000.00

General Reserve for depreciation of mills and properties 23,263,652.71

23,763,652.71

Leaving a net book value of.....\$47,997,752.93

The reserves above mentioned were general and were not allocated in specific amounts against any of the properties mentioned. A computation will indicate that together they approximate one-third of the aggregate book value of the properties against which they have been set up.

Dealing with such properties in order:

(a) IROQUOIS FALLS PROPERTY:

Book investments in this property on September 10th, 1932, were comprised of the following:

(1) Paper Mill and equipment	\$19,768,934.95	
(2) Townsite of Iroquois Falls, including real estate, buildings and equipment.....	1,840,093.33	
(3) Railway properties and equipment:		
Main Line.....	\$1,180,555.69	
Spur Lines.....	122,502.37	
Rolling Stock.....	467,574.15	
Buildings.....	50,555.71	
		1,821,187.92
(4) Boats and Barges.....		365,032.27
(5) Booms and Piers.....		156,584.10
(6) Mercantile Department Equipment.....		46,057.24
(7) Office and House Furnishings.....		27,986.17
TOTAL.....		\$24,025,875.98

If the townsite and depreciation reserves mentioned be applied proportionately against book costs of all properties, \$8,008,625.33 would be applicable against the costs of the Iroquois Falls properties, leaving a net balance of \$16,017,250.65.

The Iroquois Falls mill is located in the Town of Iroquois Falls, which is situate on the south and west banks of the Abitibi River, approximately 7 miles east of Porquis Junction, on the main line of the Temiskaming and Northern Ontario Railway, and approximately 30 miles from Cochrane on the Canadian National Railway, in the Province of Ontario. Iroquois Falls is an incorporated town, the townsite of which is owned by the Company, and erected on it are a hotel, mercantile store, public hospital and laundry, which are operated by the Company—also 215 residences and dwellings, rented or held for lease to employees. Privately owned buildings erected on leasehold lands are Public and Separate Schools, Anglican, Catholic and United Churches, and a Bank. The affairs of the municipality are controlled by a Mayor and six Councillors who are elected, and general and school taxes are assessed and collected annually. The population of the Town is approximately 1,000.

The Iroquois Falls mill is an integrated unit with a rated capacity of about 186,000 tons of newsprint per annum. There are thirty-seven mill buildings of reinforced concrete and steel, the majority of which are reported to have been erected in the years 1913 to 1916; the remaining buildings, with certain additions and extensions, having been constructed in the years 1920, 1921 and 1925; all buildings appear to have been well maintained and are reported to be in good condition. Installed in the buildings are the following paper machines:

		Size	F.P.M.	Trim	Avg. Tons
No. 1	1 Walmsley.....	202-inch	798	187	91.0
No. 2	1 Pusey & Jones.....	186-inch	804	170	84.0
No. 3	1 Pusey & Jones.....	158-inch	803	140	69.0
No. 4	1 Pusey & Jones.....	158-inch	803	140	69.0
No. 5	1 Pusey & Jones.....	158-inch	900	140	77.0
No. 6	1 Walmsley.....	232-inch	778	210	100.0
No. 7	1 Walmsley.....	232-inch	856	210	110.0

TOTAL PER DIEM.....600.0 Tons

together with all necessary auxiliary equipment. These machines are said to have been installed, 4 in 1915 and 3 in 1921, and are in good operating condition.

Coal steam power for the operation of the mill is provided by a battery of 14-478 h.p. and 2-358 h.p. Babcock & Wilcox inclined water tube type steam boilers, 8 of which were installed in 1915, 2 in 1917 and 6 in 1920—12 of such boilers are equipped with Taylor Underfeed Stokers, four with Jones Underfeed Stokers and two with Type E Refuse Burners. Electric steam is provided by a battery of 2 Kaelin electric boilers and 1 General Electric Company boiler, each of 20,000 k.w. Hydraulic power amount-

ing to about 28,000 h.p. is provided from the main dam of the power house at the mill for operation of 14 Holyoke 32-inch 2,000 h.p. turbines which are directly connected to grinders. Approximately 25,000 electric h.p. is provided from a development at Twin Falls—on the Abitibi River—four and a quarter miles distant from the mill; in addition from 30,000 to 50,000 electric h.p. is available from the plant owned by Abitibi Electric Development Company Limited, located at Island Falls, about 85 miles distant (by transmission line) from Iroquois Falls.

Railway properties consist of a standard gauge logging railway of 27.74 miles, running from Iroquois Falls to a point about 12 miles beyond Stimson on the Canadian National Railway, in addition to which are 25.10 miles of spur lines, and yard trackage of 5.72 miles—a total of 58.56 miles; two-thirds of such trackage is laid with 80-85 lb. rails and the balance with rails of 46-60 lbs. Rolling stock consists of two 6-wheel locomotives of 96 and 70 tons respectively, and two 3-cylinder Shay locomotives of 48 tons each; in addition to which are—25 steel flat cars, 112 wood flat cars, 36 rack flat cars, 21 box cars, 3 coal cars, 1 tank car, snow plow, locomotive crane, loaders and other equipment.

River and Lake equipment is comprised of 2 tugs—the “F. H. Anson” 83' x 23' with wooden hull and a gross tonnage of 112.08 tons, and the “L. R. Wilson” 51' x 11' 6" with steel hull of gross tonnage of 27.25 tons. In addition there are 4 alligators, 3 power Winchboats, 4 launches, 6 house boats, scows and other equipment.

When operated to full capacity the Iroquois Falls mill is reported to be one of the lowest manufacturing cost newsprint paper units on the American continent, but at the date of receivership it was operating to 36% of capacity only, due to lack of demand and the necessity of converting wood inventories at other points in order to realize upon the same. Pulpwood on hand at the date of receivership amounted to about 52,500 cords and arrangements have since been completed for the purchase of a further supply of wood in order to permit the mill to operate during the season 1933/1934.

(b) SMOOTH ROCK FALLS SULPHITE MILL:

As at date September 10th, 1932, the investment of Abitibi Power & Paper Company Limited at Smooth Rock Falls was comprised of:

- | | |
|--|----------------|
| (1) Book cost of Sulphite mill and equipment, Power plant, Townsite and Buildings. | \$7,473,375.11 |
| (2) Investment in “Jacksonboro” property. | 172,261.85 |

TOTAL BOOK INVESTMENTS.....\$7,645,636.96

If Townsite and depreciation reserves be allocated in proportion to the book costs of properties the amount available against the Smooth Rock Sulphite mill would be \$2,548,545.65, leaving a balance of \$5,097,091.31 net book cost.

Smooth Rock Falls is an incorporated Town located on the north bank of the Mattagami River, about 30 miles west of Cochrane, Ontario. Railway facilities are provided by the Mattagami Railway Company (owned by Abitibi Power and Paper Company Limited) which connects with the Canadian National Railway three and one-half miles distant. The Townsite is owned by the Company and erected on it are mill buildings, power plant, hotel, mercantile store and 121 houses—the population of the Town is about 875.

The sulphite mill buildings are eighteen in number, of reinforced concrete and steel sprinklered mill construction; such buildings are reported to have been largely constructed in 1916 and 1917, certain extensions and improvements thereto having been made in later years. As a whole the buildings appear to be in fair condition but certain of them show signs of deterioration. Included in the mill are four large sulphite digesters and a bleaching plant.

Steam power for the mill is provided by a battery of 6 Babcock & Wilcox 475 h.p. and 1 Babcock & Wilcox 275 h.p. water tube boilers, and one 2000 k.w. electric boiler, while electric power is supplied by a hydro electric plant on the Mattagami River, adjacent to the mill, which is reported to develop an average of 8,150 electric h.p.

The capacity of the mill is about 60,000 tons of high grade bleached sulphite pulp per annum, and at the date of Receivership production was about 33% of rated capacity. At such rate of production losses of upwards of \$125,000 per annum were reported as being sustained but as such losses are computed to be less than would be the cost of carrying the property in a shut-down condition, operations are being continued. Pulpwood on hand at the date of Receivership was estimated to amount to about 50,000 cords and a further moderate supply of wood is being obtained to allow operation of the mill during 1933/1934, should it prove advisable so to do.

At the time of the purchase of the Smooth Rock Falls Sulphite mill by Abitibi Fibre Company Limited—a subsidiary of Abitibi Power & Paper Company Limited—certain litigation was in progress

relative to the flooding of properties, occasioned—as was claimed—by the construction of a dam across the Mattagami River in connection with the hydro electric development at such mill. This litigation was settled by Abitibi Fibre Company Limited agreeing to purchase the so-called “Jacksonboro” property for \$250,000, of which amount \$205,000 had been paid to the date of the receivership. As against the amount so paid approximately \$32,738.15 was recovered from realization of assets and the balance \$172,261.85 remains, to all intents and purposes, as the price paid for the privilege of raising the head of water at the hydro electric development, thereby increasing the capacity of such plant. Abitibi Power & Paper Company Limited has acquired all the assets of Abitibi Fibre Company Limited, and it appears that it has also agreed to pay its liabilities.

FORT WILLIAM PAPER MILL:

Abitibi Power & Paper Company Limited is the owner of a newsprint paper mill known as the “Fort William Mill,” which is situate on the north side of the Mission River in the City of Fort William, in the Province of Ontario. The mill is located on 84 acres, more or less, of freehold land, while in addition Abitibi Power & Paper Company Limited holds 116 acres—chiefly water lots—under lease from the Dominion of Canada. As at the date of receivership the book investment in such property was \$6,662,937.16 but if general depreciation and townsite reserves be allocated against mill and townsite properties in proportion to the book costs thereof, the sum of \$2,220,979.05 would be applicable in reduction of such investment, leaving a net balance of \$4,441,958.11.

Mill buildings number ten and are of concrete and steel mill construction; such buildings were erected at various times in the years 1920, 1922 and 1926 and are reported to be in good physical condition—railway connection to them is had by a spur line from the Canadian National Railway. Installed in the buildings are 2 Pusey & Jones 194-inch paper machines, 850 F.P.M., with a rated capacity of 170 tons of newsprint paper per day; such machines were installed in 1922, and are reported to be in good operating condition.

Coal steam is provided for the plant by a battery of 5 boilers, being—2 Babcock & Wilcox water tube type 525 B.H.P., installed in 1922; 1 Goldie & McCullough water tube type 500 B.H.P., installed in 1922; 1 Babcock and Wilcox water tube type boiler 478 B.H.P., installed in 1923. In addition is a new Babcock & Wilcox Sterling class 13 boiler, capacity of 150,000 lbs. steam per day, which was installed in 1925. Electric power is supplied to the mill under a contract with Kaministiquia Power Company Limited, which is owned by Abitibi Power & Paper Company Limited.

At the date of Receivership the Fort William mill was closed down, with a minor supply of pulp-wood on hand and this wood was subsequently disposed of.

SAULT STE. MARIE, ONTARIO, PAPER MILL:

The investment—at book values—of Abitibi Power & Paper Company Limited in its Sault Ste. Marie newsprint paper mill was comprised of—

(a) Mill and equipment, real estate, lands and buildings.....	\$16,114,999.19
(b) Tugs and vessels.....	348,325.00
(c) Booming ground equipment.....	185,835.00
(d) Farms.....	40,820.00
(e) Fixtures and furniture.....	37,460.41
(f) Loaders, tractors and motors.....	11,550.00
TOTAL.....	\$16,738,989.60

With general Townsite and Depreciation reserves apportioned on the basis of the book costs of the properties in respect of which they were established, the sum of \$5,579,663.20 was available in reduction of such investment, leaving a net balance of \$11,159,326.40.

The Sault Ste. Marie mill is situate in the City of Sault Ste. Marie, in the Province of Ontario, on the north bank of the St. Marys River, where it has rail connections, and facilities for water shipments. The mill is located within approximately 50 acres of land, owned in freehold by the Company, while adjacent thereto are 12 acres leased from the Algoma Central Railway, and 1 acre, more or less, leased from the Great Lakes Power Company.

Mill buildings are twenty-seven in number and are largely of sandstone or brick construction. The majority of such buildings are reported to have been erected in the years 1898 to 1902, and in 1912,

with certain additions and extensions added in 1913, 1915, 1917 and 1919; these buildings are reported to be in good physical condition. Installed in the buildings are the following paper machines:

- 1—Black & Clawson, 154-inch—Maximum speed 645 F.P.M., rated capacity 54 tons.
- 2—Black & Clawson, 154-inch—Maximum speed 645 F.P.M., rated capacity 54 tons.
- 3—Pusey & Jones 196-inch—Maximum speed 675 F.P.M., rated capacity 72 tons.
- 4—Pusey & Jones 184-inch—Maximum speed 675 F.P.M., rated capacity 70 tons.

WITH A TOTAL MAXIMUM DAILY CAPACITY OF 250 TONS.

Machines No. 1 and No. 2 were installed in 1910 and No. 3 and No. 4 in 1912 and have been maintained in good operating condition; the sum of upwards of \$500,000 having, it is reported, been expended upon them in 1931. In addition there is a Black & Clawson 106-inch 5-cylinder board machine installed in 1916, with a daily rated capacity of 45 tons of wrapper or wallboard.

Coal steam power for the mill is supplied by 4 Babcock-Wilcox water tube boilers with 956 B.H.P. rated capacity fired by pulverized coal. Also 6 Babcock-Wilcox water tube boilers with 478 B.H.P. rated capacity each, 2 of which are fired with Murphy stokers and 4 with Jones Underfeed Stokers. Electric steam is provided by 1 Canadian General Electric 5,000 K.W. 500 B.H.P. boiler. A 4,375 K.V.A. Canadian General Electric turbo generator is used to supplement the purchased electric power supply. Water for the operation of 12 Dayton Globe 5-34 ft. turbines, with a capacity of 1,000 H.P. each, is received, under a contract with the Great Lakes Power Company, while 9,600 electrical H.P. is also purchased, under a contract with the same Company.

There are 4 digesters installed in the mill of which 2 only are required to supply mill requirements. Auxiliary equipment is installed for marketing surplus pulp in lapped form.

The Sault Ste. Marie mill is reported to be an efficient operating unit with a rated capacity of about 78,000 tons of newsprint paper per annum. At the date of receivership the mill was operating substantially to capacity, with pulpwood on hand sufficient for approximately one year's operations. Located at Espanola and Sturgeon Falls are some 200,000 cords (as estimated) of pulpwood which it is believed will require to be transferred to the Sault Ste. Marie mill—for conversion there—if any recovery from such pulpwood is to be realized.

Included in the Company's investment at Sault Ste. Marie is a residential property, the original cost of which is said to have been in excess of \$50,000; also 9 other brick and frame dwellings rented to tenants. In addition are three farms, one on the St. Marys River in Awenge and Park Townships 5 miles from Sault Ste. Marie, containing 417 acres, of which 15 acres are cleared; another at Tarentorus, 5 miles from Sault Ste. Marie, of 317 acres, with barns and stable accommodation for 82 horses; and a third, of 173 acres, located at Chelmsford, 12 miles from Sudbury. These latter two farms have been used largely for pasturage purposes.

Vessels and tugs at Sault Ste. Marie are comprised of:

- (a) Tug Reliance, 135' x 23' with wooden hull, steel frame, rebuilt in 1922.
- (b) Tug G. R. Gray, 150' x 24' with wooden hull, rebuilt in 1920.
- (c) Tug Gargantua, 150' x 30' with wooden hull and frame, new in 1923.
- (d) Tug Emerson, 62' x 16'.
- (e) Tug Commodore, 62' x 16'.
- (f) Tug Theonli, 58' x 12'.

In addition there are three gasoline launches, three West Peachey steam alligators, and one small gasoline power alligator.

Booming ground equipment, having a gross book value of \$185,835 is comprised almost entirely of spruce, cedar and pine booms employed in the rafting and holding of pulpwood.

ESKANOLA MILL:

The investment of Abitibi Power & Paper Company Limited in the Espanola Paper mill was comprised of:

(a) Newsprint paper mill and equipment, lands, townsite and buildings—book value thereof	\$ 8,397,341.69
(b) Water powers on the Spanish River—book value thereof	1,849,369.31
(c) Boats and barges—book value thereof	6,600.00
(d) Booms and piers—book value thereof	9,033.66
(e) Fixtures and furniture—book value thereof	7,224.52

TOTAL.....\$10,269,569.18

With general Townsite and Depreciation reserves apportioned on the basis of book cost of the properties, in respect of which they were established, the sum of \$3,266,373.89 was available in reduction of the above investment, leaving a net balance of \$7,003,195.29.

Espanola, which is not an incorporated town, is located on the south bank of the Spanish River, in the Townships of Merrick and Baldwin, 40 miles west of Sudbury and 38 miles north of Little Current, in the Province of Ontario. The Townsite is comprised of approximately 1,200 acres, of which 700 acres are improved; the mill site occupying approximately 35 acres. Erected on the Townsite and owned by Abitibi Power & Paper Company Limited are a mercantile store, hotel, theatre, hospital, customs house, community hall and townhall, in addition to 220 brick, frame and roughcast dwellings. The Company owns and operates the hospital, electric light system, water and sewerage systems, also parks and recreation grounds. Properties in the Townsite otherwise owned are comprised of a Public School, Separate School, Railway Depot, two Churches and 9 privately owned residences. Costs of operating a fire department, police department and street cleaning department, and over 90% of that for maintaining a Public School, have been paid by the Company, which has also been contributing to relief in the district, by employment of men on the repair of mill buildings and equipment, and to the cost of a Separate School.

The Espanola plant is comprised of a groundwood mill and a newsprint paper mill, the supply of sulphite for the latter having been obtained from either Sturgeon Falls or Sault Ste. Marie. There are fifteen buildings of brick and concrete construction which are reported to have been erected in the years 1900 to 1919; otherwise than in respect of their roofs, such buildings appear to be in fair condition. The jack ladder shows signs of deterioration.

Steam coal power for the mill is supplied by a battery of 14 Robb Engineering boilers, 6 of 290 h.p., 6 of 280 h.p., and 2 of 410 h.p. Such boilers were installed—6 in the years 1911 and 1913, 6 in the years 1914 to 1916 and 2 in the year 1922. Hydraulic power is provided from a power house and dam on the Spanish River adjacent to the mill containing 9 Holyoke turbines, 5 at 2,200 h.p. rated capacity, driving 29 grinders, and 4 at 1,940 h.p. rated capacity, driving generators which deliver an average of 6,700 electric h.p. for mill use.

The capacity of the groundwood mill is approximately 260 tons per day of 24 hours, while paper machines installed are the following:

- (a) 2 Pusey & Jones, 164-inch, with a speed of 645 f.p.m. and a rated capacity of 60 tons per day each. These machines were installed in 1911;
- (b) 2 Rice Barton & Fales, 118-inch, with a speed of 640 f.p.m. and a rated capacity of 40 tons per day each. These machines were installed in 1913;
- (c) 2 Pusey & Jones, 162-inch, with a speed of 745 f.p.m., and a rated capacity of 62½ tons per day each. These machines were installed in 1919;

the aggregate rated capacity of such 6 machines being 325 tons of newsprint paper per day.

Included in the Espanola investment is the sum of \$126,249.91, representing the book cost of the Steamer "Wahcondah". This steamer is employed by the Company for the delivery of newsprint paper to points on the Great Lakes—its hull is of steel construction 230' x 37', with engines of 750 h.p. and a gross tonnage of 1,575 tons.

On September 10th, 1932, the Company, according to its records, had 135,264 cords of pulpwood situated at different places, available for operation of the Espanola mill, of a gross book value of \$1,250,892. It is reported that a substantial quantity of such pulpwood has deteriorated in quality. Manufacturing costs at the Espanola mill, as computed by Officers of the Company, indicate that such pulpwood cannot be presently converted at Espanola into newsprint paper and such paper be sold under existing market conditions so as to give any return for the wood. It is possible that if such pulpwood be transferred to the Sault Ste. Marie paper mill some moderate recovery may be obtained if it is converted into newsprint paper there.

At the date of Receivership the Espanola paper mill was closed down and prospects are that it will not be in the interests of the Company to operate it unless and until demands for newsprint paper and the market price thereof increase to a substantial degree.

STURGEON FALLS, ONTARIO, PAPER MILL:

The book investment of Abitibi Power & Paper Company Limited in the Sturgeon Falls paper mill was comprised of:

- (a) Book value of mill and equipment, townsite, land and buildings.....\$6,414,144.26
- (b) Furniture and fixtures—book cost.....4,252.50

TOTAL.....\$6,418,396.76

With general Townsite and Depreciation reserves apportioned on the basis of book costs of the properties in respect of which they were established, the sum of \$2,139,465.59 was available in reduction of such investment, leaving a balance of \$4,278,931.17.

The Town of Sturgeon Falls is located on the Sturgeon River, and on the main line of the Canadian Pacific Railway System, 23 miles west of North Bay and 62 miles east of Sudbury, in the Province of Ontario. Mill buildings are located in the centre of the town within freehold lands owned by the Company, of an area of about 53 acres—these lands are intersected by the Sturgeon River. The Company also owns a number of other lots in the Townsite, upon which are erected 42 workmen's dwellings of, which 10 are reported as uninhabitable, 20 require repairs, and the balance are in fair condition; 19 of such houses are vacant and the balance are occupied at an average rental of \$18 per month.

Mill buildings are seventeen in number, of brick construction, and are reported to have been erected in the years 1901 to 1905, with certain additions and extensions made in 1920. Some of such buildings show signs of deterioration.

Coal steam power is supplied to the mill by 10 boilers, being:

- (a) 2 Babcock & Wilcox, 250 h.p., 100 lbs. pressure Dutch Oven boilers, installed prior to 1911;
- (b) 6 Robb 290 h.p., 175 lbs. pressure, hand-fired boilers, installed in the years 1915 to 1918;
- (c) 2 Babcock & Wilcox 400 h.p., 175 lbs. pressure, Riley Stoker boilers, installed in 1920;

which equipment is in fair condition only; electric steam is supplied by 1 Canadian General Electric Vertical 500 h.p., 5,000 k.w. electric boiler, installed in December, 1925. Power supply at the mill is 9,600 h.p., made up of 7,800 h.p. hydro mechanical power, driving grinders and an 1,800 h.p. hydro electric installation; a further supply is received from a hydro electric development at Crystal Falls, located on the Sturgeon River, about 10 miles above the mill, where a water power lease expiring on May 15th, 1940, with provision for renewal, is held from the Ontario Government—the annual average production of such development is reported to be 7,500 electrical h.p.

Installed in the mill are the following paper machines:

- (a) 2 Bagley & Sewall 120-inch machines, with a speed of 575-600 f.p.m., and a capacity of 37½ tons each per day of newsprint paper. These machines are said to have been installed in or about the year 1901.
- (b) 1 Pusey & Jones 152-inch machine, with a speed of 900-950 f.p.m., and a rated capacity of 75 tons of newsprint paper per day. This machine was installed in 1920.

One of the Bagley and Sewall machines has the wet end thereof dismantled, certain parts having been removed and used for repairs at the Sault Ste. Marie mill. The other Bagley & Sewall machine is in fair condition only—the Pusey & Jones machine having been overhauled in 1931 is in good operating condition.

At the date of the receivership 74,716 cords of pulpwood, of a gross book value of \$689,269, were estimated to be on hand, at and adjacent to the mill. Costs of manufacturing newsprint paper at Sturgeon Falls are computed by Officers of the Company to be too high under existing market conditions to permit any recovery to be made from such pulpwood if converted at Sturgeon Falls. Under these circumstances no incentive is presently provided for operation of the Sturgeon Falls mill, while the possibility of obtaining any salvage recovery from the pulpwood there depends—it is believed—upon the feasibility of removing it to, and converting it at the Sault Ste. Marie mill.

TIMBER CONCESSIONS AND TIMBER LANDS OWNED BY THE COMPANY

At the date of Receivership the book investment of Abitibi Power & Paper Company Limited in timber concessions and timber lands was comprised of:

(a) Timber Concessions, leasehold and freehold lands tributary to Iroquois Falls Mill.....	\$12,025,000.00
(b) Timber Concessions, and freehold and veteran grants, tributary to Smooth Rock Falls Mill.....	3,392,066.69
(c) Timber Concessions and leasehold lands tributary to Fort William Mill.....	5,055,000.00
(d) Timber Concessions and leasehold lands tributary to Sault Ste. Marie Mill...	10,042,225.00
(e) Timber Concessions tributary to Espanola Mill.....	6,265,000.00
(f) Timber Concessions and leasehold lands tributary to Sturgeon Falls Mill.....	3,760,000.00
TOTAL.....	\$40,539,291.69
Less—"Capital surplus" presumably applicable thereagainst.....	\$19,557,135.70
Depletion Reserves.....	976,361.54
	<u>20,533,497.24</u>
Leaving a net balance of.....	\$20,005,794.45

Officers of the Company report that surveys and/or estimates were made of the quantities of pulpwood upon each concession and leasehold or freehold tract, following which the value of each such concession and holding was written up to the basis of \$1 per cord for the pulpwood thereon; the excess arising from such writing up over book values was then transferred to "Capital Surplus". The balance of this account, together with reserves for depletion in respect of pulpwood cut off such limits and holdings is in the statement attached deducted from book values, leaving a net balance as shown above of \$20,005,794.45.

Conditions pertaining in respect of concessions and timber holdings are reported to be as follows:

(a) CONCESSIONS AND LIMITS TRIBUTARY TO IROQUOIS FALLS PAPER MILL:

These consist of:

(1) "Abitibi" concession granted by the Province of Ontario, covering limits in the vicinity of Abitibi Lake and Abitibi River; the area of the concession is 1,560 square miles, and pulpwood thereon is estimated to amount to 3,249,865 cords of 89 solid cubic feet. Stumpage rates and bonus payable per cord when cut are \$1.40 for Spruce, 70c. for Balsam and 40c. for Jackpine. Annual fire tax is \$3.20 per square mile, while \$5,000 per annum is required to be paid for permit to cut and remove wood. Subject to certain provisions for renewal the concession is said to expire on August 20th, 1933.

(2) "Abitibi Extension" concession, from the Province of Ontario, which covers 2,814 square miles, north of and south of the "Abitibi" concession, above mentioned. This concession is said to expire on July 12th, 1944, and the areas covered by it are estimated to contain 7,464,838 cords of 89 solid cubic feet. Stumpage and bonus per cord required to be paid when cut are \$2 for Spruce and \$1.20 for Balsam. Fire tax amounts to \$3.20 per square mile per annum. The written permission of the Minister of Crown Lands has to be obtained before cutting can be undertaken in any year.

(3) Leasehold lands held under licenses from the Province of Ontario—are comprised of approximately 155 square miles in the Townships of Menapia, Beniah and Thorning, located north of the Town of Cochrane, Ontario. These lands are estimated to contain 524,000 cords of pulpwood of 89 solid cubic feet, on which stumpage and bonus payable are \$2.25 per cord for Spruce, \$1.35 in respect of Balsam and 75c. for Jackpine when cut. Ground rent of \$5 per square mile and fire tax of \$6.40 per square mile have to be paid annually. The sum of \$25,000 stands deposited by the Company with the Province of Ontario, in respect of such licenses, while the Province holds a bond from the Company in the amount of \$200,000 and bonds from Surety Companies in the amount of \$300,000 as assurances that the terms of the licenses will be complied with. These licenses are said to expire on April 30th, 1933, but it has been customary for the Department of Crown Lands to renew licenses from year to year.

(4) Freehold lands are reported to consist of the Company's interest in properties controlled by the Hebecourt Corporation in the Province of Quebec, hereinbefore referred to—part of the purchase price payable by Hebecourt Corporation for such lands has not as yet been met.

The gross book value attached to the above holdings is \$12,000,000 to which is added the \$25,000 deposit above referred to, making a total of \$12,025,000—after application of capital surplus and depletion reserves, the net book value remaining is about 50% of such sum.

(b) CONCESSIONS AND LIMITS TRIBUTARY TO SMOOTH ROCK FALLS PULP MILL:

These consist of:

(1) Concession from the Province of Ontario covering 841 square miles on the Mattagami River, which concession is estimated to contain approximately 2,900,000 cords of 89 solid cubic feet. Stumpage rates payable are \$1.40 per cord for Spruce, 70c. for Balsam and 40c. for Jackpine, when cut. A fire tax of \$3.20 per square mile is payable annually in respect of 812 square miles, while \$1,500 per annum has to be paid for permit to cut and remove wood. The concession is said to expire on May 5th, 1935, subject to provisions for renewal.

(2) Freehold lands consist of Veteran claims, of an area of approximately 219 square miles, east of and adjoining the northern portion of the concession previously mentioned. These claims are estimated to contain approximately 1,064,000 cords of 89 solid cubic feet, in respect of which no Crown dues are said to be payable. The Company has, however, to pay taxes of approximately \$4,500 per annum.

The sum of \$392,066.69 was paid by the Company for the Veteran lands, and the concession from the Province of Ontario is valued on its books at \$3,000,000. If Capital Surplus and Depletion Reserves be applied proportionately in reduction of the book values of all limits, the net book cost remaining would be slightly less than 50% of such valuations.

(c) CONCESSIONS AND LIMITS TRIBUTARY TO FORT WILLIAM PAPER MILL:

On the records of the Company these limits are carried at a gross book value of \$5,000,000, to which is added the sum of \$55,000, representing deposits made with the Ontario Government. If Capital Surplus and Depletion Reserves be applied thereagainst the net book value remaining would be approximately 50% thereof.

Such limits and concessions are said to be comprised of:

(1) Fort William Nipigon concession from the Province of Ontario covering an area of approximately 1,822 square miles on the west shore of Lake Nipigon. Such area is estimated to contain 4,687,000 cords of pulpwood, on which stumpage rates and bonus payable, per cord when cut, are, on Spruce \$2, Balsam \$1.10 and Jackpine 50c. Fire tax payable is at the rate of \$3.20 per square mile. The concession is said to expire on September 23rd, 1947, subject to certain provisions for renewal. A cash deposit of \$50,000 is in the hands of the Province of Ontario which also holds a guarantee bond in the amount of \$200,000 securing the performance of obligations under the concession.

Under the terms of the concession the Company is reported to be obligated to fulfil certain requirements—and question arises as to whether it has, or has not, done so. Should it have failed to do so, the right may rest in the Province of Ontario—if it determines to do so—to cancel the concession and forfeit the deposit made with it.

(2) Certain licenses from the Province of Ontario, renewable annually and covering an area of 76 square miles at Sioux Lookout, estimated to contain 244,000 cords of pulpwood. Stumpage rates and bonus payable—per cord when cut—are \$1.90 on Spruce, \$1.20 on Balsam and 90c. on Jackpine. Ground rent of \$5 per square mile and fire tax of \$6.40 per square mile are payable annually. Cash deposit made with the Province amounts to \$5,000, while it also holds personal bonds to the amount of \$21,000 as assurances that obligations under the licenses will be fulfilled.

(3) Under agreement with the Grand Trunk Pacific Railway and the Mead Investment Company, dated August 20th, 1920, the Company is said to hold the right to cut pulpwood on an area of approximately 987 square miles, located in 10 blocks along the Grand Trunk Pacific Railway between the City of Port Arthur and Sioux Lookout. Pulpwood upon such area is estimated to amount to 850,000 cords, while stumpage rates—per cord payable—are \$1 on Spruce and 60c. on Balsam. A fire tax of \$3.20 per square mile is payable annually, while a minimum of 10,000 cords per annum is required to be cut from the area and paid for—this requirement, it is claimed, by Officers of the Company, has been carried out, though the Grand Trunk Pacific Railway does not so admit.

(d) CONCESSIONS AND TIMBER LIMITS TRIBUTARY TO SAULT STE. MARIE MILL:

On the books of the Company concessions and timber limits tributary to the Sault Ste. Marie mill are carried at a gross book value of \$10,023,000, to which has been added \$19,225 deposited in respect thereof with the Province of Ontario, making a total of \$10,042,225. If Capital Surplus and Depletion Reserves be apportioned against the book values of timber limits in proportion to the amounts at which the same are carried on the books of the Company, the net book value of the Sault Ste. Marie limits would be approximately 50% of the amount mentioned.

Timber concessions and limits tributary to Sault Ste. Marie are said to be comprised of:

(1) Concession from the Province of Ontario covering an area of 7,328 square miles adjacent to Sault Ste. Marie, which area was estimated to contain 10,319,000 cords of pulpwood. Stumpage rates payable per cord are \$1.40 in respect of Spruce, 70c. for Balsam and 40c. for Jackpine—when cut. Fire tax of \$3.20 per square mile is payable annually on an area of 7,185 square miles. This concession is reported to have expired on June 9th, 1932, and has not yet been renewed by the Province of Ontario.

(2) Leasehold lands—these are said to be comprised of lands in the Townships of Hawkins and Simpson, which are held under annual license, from the Province of Ontario; it has been customary for the Department of Crown Lands to renew licenses from year to year. Such areas are estimated to contain about 124,000 cords of pulpwood and stumpage rates payable—per cord—when cut—vary from \$1.40 to \$2 in respect of Spruce, 70c. to \$2 in respect of Balsam, and 70c. on Jackpine. Ground rent of \$5 per square mile and fire tax of \$6.40 per square mile are payable annually, subject to the right of the Company to receive contributions in reduction thereof from certain other parties interested in timber on some of such areas. Deposits held by the Crown amount in respect of such lands, to \$19,225, while the Province also holds bonds in the aggregate amount of \$20,000 from Abitibi Power & Paper Company Limited, and \$30,000 from Surety Companies as assurances that certain obligations assumed under such licenses will be fulfilled.

(3) Under agreement with the Algoma Central and Hudson Bay Railway Company, Abitibi Power & Paper Company Limited is said to be entitled for a period of 99 years from March 1st, 1911, to cut pulpwood on an area of 2,518 square miles, comprised within the Algoma Central and Hudson Bay Railway land grant, north of Sault Ste. Marie, in the Province of Ontario. Such area is estimated to contain 1,862,000 cords of pulpwood and stumpage rates—payable per cord—are 50c. in respect of Spruce, and 25c. in respect of Balsam—when cut. Fire tax payable is \$3.20 per square mile annually on 2,396 square miles. The agreement covering the lands, requires that 20,000 cords of pulpwood per annum shall be cut off the area or be paid for—such agreement is reported by Officers of the Company to be in good standing.

(e) CONCESSIONS AND TIMBER LIMITS TRIBUTARY TO ESPANOLA MILL:

These concessions and limits are carried on the Company's books at a gross value of \$6,240,000, to which has been added the sum of \$25,000 on deposit with the Province of Ontario, making a total of \$6,265,000. With application of Capital Surplus and Depletion Reserves in reduction thereof, a net book value of approximately 50% of such amount remains.

The Espanola timber concessions are reported to be comprised of the following:

(1) Spanish River Concession from the Province of Ontario, covering an area of 3,785 square miles, located on the Spanish River. Such area was estimated to contain 2,866,000 cords of pulpwood and stumpage rates—payable per cord when cut—are \$1.40 for Spruce, 70c. for Balsam, and 40c. for Jackpine. Fire tax payable is \$3.20 per square mile annually on 3,627 square miles. The concession is said to have expired on October 1st, 1930, and has not yet been renewed by the Province of Ontario.

(2) Spanish River Extension Concession from the Province of Ontario, covering an area of 3,130 square miles, directly north of the Spanish River drainage area. Such concession was estimated to contain 6,679,180 cords of pulpwood, on which stumpage rates—payable per cord when cut—are \$1.90 for Spruce, \$1 for Balsam and 70c. for Jackpine. Fire tax payable is \$3.20 per square mile annually on an area of 3,066 square miles. This concession is said to expire on May 15th, 1944, but it is reported that question exists as to whether the Company is in default in respect of certain conditions contained in it, permitting the Province of Ontario, if it shall so require, to cancel it.

(3) Leasehold lands. These consist of certain lands held under licenses from the Province of Ontario—renewable annually—in respect of 54 square miles in the Townships of St. Louis and Groves, which areas are estimated to contain 19,915 cords of pulpwood. Stumpage rates—payable per cord when cut—are for Spruce \$1.80, Balsam \$1. Ground rent is \$5 per square mile and fire tax \$6.40 per square mile, payable annually. Deposits held by the Province of Ontario amount to \$25,000, while in addition bonds to the amount of \$5,000 are held direct from Abitibi Power & Paper Company Limited, and to the amount of \$15,000 from Surety Companies, for the performance of certain obligations required to be fulfilled under the terms of such licenses.

(f) TIMBER CONCESSIONS TRIBUTARY TO STURGEON FALLS MILL:

Timber concessions tributary to Sturgeon Falls are carried on the books of the Company at the gross value of \$3,760,000; if Depletion Reserves and Capital Surplus be applied in reduction thereof, the net value remaining would amount to about 50% of such figure.

These are said to be comprised of the so-called Sturgeon River concession from the Province of Ontario, covering an area of 2,525 square miles, on the Sturgeon River, which area was estimated to contain 2,175,000 cords of pulpwood. Stumpage rates payable are \$1.40—per cord when cut—for Spruce, 70c. for Balsam and 40c. for Jackpine. Fire tax payable annually is \$3.20 per square mile on 2,369 square miles. This concession is said to have expired on April 1st, 1932—it is reported to be contended that the Company has failed to comply with certain provisions contained in it.

REAL ESTATE AND OFFICE BUILDINGS:

The book cost of the Company's Toronto Office Building, with fixtures and furniture therein, was \$328,623. Such building and lands are situate on University Avenue, in the City of Toronto.

PREPAID ITEMS:

As of date September 10th, 1932, these amounted to \$270,683.90, comprised of prepaid insurance premiums, taxes, and other similar items.

OPERATIONS OF COMPANY

Abitibi Power and Paper Company Limited was incorporated in 1914 and in that year took over the assets and undertaking of Abitibi Pulp and Paper Company Limited which had been incorporated in 1912. As at the end of the year 1927, the Company was the owner of the newsprint paper mill at Iroquois Falls, Ontario, with an annual rated capacity of about 186,000 tons; the mill was operated by power developed at Twin Falls and Iroquois Falls on the Abitibi River. Through a subsidiary Company, Abitibi Fibre Company Limited, it owned the sulphite pulp mill at Smooth Rock Falls, Ontario, with a rated capacity of about 60,000 tons per annum of high grade sulphite pulp; and through another subsidiary, Abitibi Electric Development Company Limited, a hydro electric power plant at Island Falls on the Abitibi River. The Company also had certain rights, directly or through subsidiaries, to certain undeveloped power sites on this River.

Early in the year 1928 Abitibi acquired the following undertakings:

(a) Spanish River Pulp & Paper Mills Limited—which owned the three newsprint paper mills at Sault Ste. Marie, Espanola and Sturgeon Falls, and held concessions entitling it on various terms to cut pulpwood on about 19,000 square miles located between North Bay and Sault Ste. Marie, in the Province of Ontario;

(b) Manitoba Paper Company Limited, which owned the newsprint paper mill at Pine Falls and held certain timber concessions in the Province of Manitoba;

(c) Ste. Anne Paper Company Limited, which owned a newsprint paper mill located a short distance east of the City of Quebec and also held concessions entitling it on various terms to cut pulpwood upon certain limits in the Province of Quebec;

(d) Murray Bay Paper Company Limited, which was completing the installation of two second hand newsprint paper machines in a mill at Murray Bay—Province of Quebec—and also held a lease of an adjacent pulp mill and the right, on terms, to cut pulpwood on certain timber areas in that Province;

(e) Fort William Power Company Limited, which controlled the Fort William Paper Company Limited, owning a newsprint paper mill at Fort William, Ontario, and the right, on terms, to cut pulpwood upon certain timber concessions in the Province of Ontario—also the Kaministiquia Power Company Limited, which operated a hydro electric development at Kakabeka Falls, near Fort William, on the Kaministiquia River, in the Province of Ontario.

In 1928 a Company—Newsprint Bond and Share Company—was formed to purchase voting control of the Bathurst Power & Paper Company Limited, which owned and operated a newsprint mill in New Brunswick, reported as having a capacity of about 43,000 tons per year. Certain Canadian newsprint companies subscribed for shares of Newsprint Bond and Share Company in varying amounts, Abitibi subscribing for 15,603 shares at \$100 per share, or 22.29% of the subscribed capitalization. As before stated, payments on such subscription were made in instalments over several years and to date Abitibi has paid \$951,836 being payment—with interest—in full for 8,361 shares and part payment on 1,736 shares; the balance unpaid and/or uncalled on the subscription amounts to \$608,464.

In December, 1928, Abitibi Power and Paper Company Limited purchased a half interest in the capital stock of Thunder Bay Paper Company Limited, which owned a newsprint paper mill in the City of Port Arthur and held the right, on terms, to cut pulpwood upon certain timber concessions in the Province of Ontario. Under the terms of this purchase certain instalments were payable over time and when in January, 1932, default was made in the payment of a maturing instalment Abitibi Power and Paper Company Limited entered into an agreement with the Vendors for the purchase of the whole of the capital stock of Thunder Bay Paper Company Limited at a price equal to the balance remaining unpaid under the agreement of December, 1928, as hereinbefore mentioned.

In January, 1930, Abitibi Power and Paper Company Limited acquired the whole of the Common capital stock of Provincial Paper Limited, manufacturing principally book and writing papers, at mills owned by it at Thorold, Mille Roches, Port Arthur and Georgetown, in the Province of Ontario.

In September, 1930, Ontario Power Service Corporation Limited (originally incorporated under the name of The Hudson's Bay Power Company Limited) which was promoted and controlled by Abitibi Power and Paper Company Limited and held certain undeveloped water power rights at the Canyon on the Abitibi River in the Province of Ontario proceeded to develop such power rights. The estimated costs of such development were \$23,000,000; of this amount about \$17,800,000 was made

available by sale of \$20,000,000 bonds of Ontario Power Service Corporation Limited; Abitibi Power and Paper Company Limited undertook to provide or obtain such further moneys as should be required to complete the development, and also to buy certain amounts of power from it when completed—Abitibi Power and Paper Company Limited was unable to obtain or provide such funds and it is presumed that thereby its credit became affected with the result that it made default in payment of interest on its bonds as before mentioned, and a Receiver and Manager was appointed. A Receiver and Manager of Ontario Power Service Corporation Limited has also been appointed.

As the result of these transactions, Abitibi Power and Paper Company Limited was at the date of receivership on September 10th, 1932, the owner of, or in control of, the following newsprint paper mills:

(1) MILLS REPORTED AS LOW COST MANUFACTURING UNITS:

- (a) Iroquois Falls mill, with a rated capacity per annum of about 186,000 tons
- (b) Pine Falls Mill, with a rated capacity per annum of about 78,000 tons

264,000 tons

(2) MILLS REPORTED TO BE EFFICIENT MANUFACTURING UNITS:

- (c) Ste. Anne Mill, with a rated capacity per annum of about 78,000 tons
- (d) Thunder Bay Mill, with a rated capacity per annum of about 78,000 tons
(Subject to payment of balance of purchase price for the capital stock of Thunder Bay Paper Company Limited.)
- (e) Sault Ste. Marie Mill, with a rated capacity per annum of about 78,000 tons
- (f) Fort William Mill, with a rated capacity per annum of about 52,000 tons

286,000 tons

(3) MILLS REPORTED AS OF LESS EFFICIENCY:

- (g) Murray Bay Mill, with a rated capacity per annum of about 34,000 tons
- (h) Sturgeon Falls Mill, with a rated capacity per annum of about 46,000 tons
- (i) Espanola Mill, with a rated capacity per annum of about 100,000 tons

180,000 tons

The rated annual capacity for all newsprint paper mills, owned and/or controlled by the Company being reported to be approximately,

730,000 tons

It also owned the Smooth Rock Falls sulphite mill—and the whole of the Common capital stock of Provincial Paper Limited (the bonds and preferred shares of which are held by the public) which was operating as an independent unit manufacturing principally book and writing papers.

SALES OF NEWSPRINT PAPER

In the year 1928, following the taking over of the mills mentioned (but excluding the Thunder Bay Mill) newsprint sales of Abitibi Power and Paper Company Limited are reported to have amounted to 414,596 tons, computed to be 63.6% of the capacity of its mills, and 17.4% of the total production in Canada of newsprint paper. For the year 1929 and following years, sales of the Company, and those of the Thunder Bay Mill, are reported by Officers of the Company to have been as follows:

Year	Abitibi Newsprint Sales—Tons	Percentage of Abitibi Capacity	Total Canadian Production—Tons	Percentage of Abitibi Sales to Canadian Production
1929	528,181	72.4%	2,729,000	19.4%
1930	371,593	50.9%	2,504,000	14.9%
1931	264,807	36.3%	2,221,000	11.9%
1932	207,127	28.4%	1,907,000	10.9%

Such figures indicate that with a general falling off in the market demands for newsprint paper, sales of Abitibi Power and Paper Company Limited declined over such period to a substantial degree, both in the amount of paper sold and in the percentage of the same to total Canadian production.

With such decline in Abitibi sales, only three of its newsprint mills were in production at the date of the receivership, namely, the Iroquois Falls mill which was operating to about 36% of capacity; the Sault Ste. Marie mill which was operating to about 100% of capacity, and the Thunder Bay mill which was operating to about 40% of capacity. It is stated that the Iroquois Falls mill was being operated in order to take advantage of its low costs of manufacture; the Sault Ste. Marie mill in order to convert substantial inventories of pulpwood there, and the Thunder Bay mill because of certain conditions relating to it. The remaining newsprint mills of the Company at Espanola, Sturgeon Falls and Fort William, in the Province of Ontario—at Pine Falls in the Province of Manitoba—and at Ste. Anne and Murray Bay in the Province of Quebec, were closed down.

WOOD INVENTORIES

At the date of receivership pulpwood inventories on hand were reported to amount to about 595,000 cords, of a book value of \$4,447,000; after an investigation of such inventories the conditions obtaining in respect of them were estimated to be as follows:

(a) Pulpwood inventories on hand at Iroquois Falls were estimated to amount to 52,586 cords, of a replacement value of about \$378,700—these inventories were insufficient to operate the mill at the reduced rate of production prevailing for more than six months.

(b) Pulpwood inventories on hand at Sault Ste. Marie, Ontario, were estimated to amount to 92,447 cords, of a replacement value of approximately \$770,000—a supply considered to be sufficient to operate the mill to full capacity for the period of about one year. Certain of the wood was reported to be in such condition that conversion was necessary without delay if substantial losses from deterioration were to be avoided.

(c) Inventories at the Fort William mill were estimated to be 12,896 cords, of a replacement value of approximately \$77,100—with the mill closed down such wood was subsequently sold to the Provincial Paper Limited.

(d) Pulpwood on hand at the Ste. Anne mill was estimated to amount to about 100,000 cords, of a replacement value of approximately \$725,500—it was reported that substantial deterioration in certain of such wood would take place if conversion were to be delayed beyond eighteen to twenty-four months.

(e) Pulpwood on hand at the Thunder Bay mill was estimated to amount to 59,265 cords, of a replacement value of about \$414,000. It was reported that a substantial amount of deterioration exists in such wood.

(f) Pulpwood on hand at Pine Falls was estimated to amount to about 5,400 cords, available only for sale as firewood, of a possible realizable value of about \$12,000.

(g) Pulpwood on hand at the Murray Bay mill was reported to amount to about 9,800 cords, of an estimated salvage value of about \$13,000.

(h) 50,700 cords of pulpwood were estimated to be on hand at the Smooth Rock Falls sulphite mill. It was reported that in order to realize upon such wood it would require to be converted at Smooth Rock Falls and for such purposes could not be estimated as worth more than \$191,876.

(i) Pulpwood on hand and in rivers tributary to the Espanola mill was estimated to be 135,264 cords, of a gross book value of \$1,250,892. With high costs of manufacture at Espanola, it was reported that it is not possible to presently convert such wood into newsprint paper there so as to obtain any return from it—accordingly no values were attributed to the wood. It is now reported that it may be possible to effect some moderate recovery if the wood be transferred by water to the Sault Ste. Marie mill and converted into newsprint paper there.

(j) Pulpwood on hand at the Sturgeon Falls mill was estimated to be 74,716 cords, of a gross book value of \$689,269. With high costs of manufacture at the Sturgeon Falls mill it was reported that the wood cannot be presently converted into newsprint paper there so as to obtain any return from it—accordingly no values were attributed to it. It is now reported that with removal of the wood to Sault Ste. Marie and its conversion there, some recovery may possibly be obtained.

The gross book value of the above wood on the Company's records was \$4,898,327, as against which reserves stood set up to the amount of \$451,288, leaving a net book value of \$4,447,039. The values attached to it on the above bases aggregated \$2,583,571, a difference of \$1,863,468, largely attributable to the writing off of values in pulpwood at Espanola and Sturgeon Falls.

MARKETS AND CONDITIONS AFFECTING OPERATIONS

At the date of the Receivership of Abitibi Power & Paper Company Limited the nominal contract price for newsprint paper was \$53 per ton, but there is reason to believe that concessions in reduction of such price were being made by manufacturers in a number of instances. In the middle of September, 1932, the \$53 price was openly reduced by one of the larger Companies to \$47.50 per ton, and shortly thereafter it was still further reduced by another of the Companies to \$46 per ton at inland points, and \$45 per ton at Ocean and Lake ports. Somewhat later certain other Companies went out into the market to obtain business and in order to do so made quotations below \$45 and \$46 per ton—thus further unsettling the market. With contracts for the supply of over 200,000 tons per annum to customers, these price reductions have reduced the income of the Abitibi Company by not less than \$1,600,000 per annum. Faced with such loss in income the greatest margin of return would be

obtained were it possible for Abitibi to supply its contract demands by operation of the Iroquois Falls mill to full capacity; this, however, cannot be done without meeting losses of the most serious character from deterioration of pulpwood inventories on hand at other points—accordingly such a course has to be followed as will assist towards the salvaging of wood inventories and at the same time allow the Iroquois Falls operations to be carried on to the greatest degree possible in order to obtain the benefit of the manufacturing costs there.

At the date of Receivership the Smooth Rock Falls mill was operating to about one-third of capacity and with the low prices prevailing for sulphite pulp losses were being sustained. It is reported that such losses are less than would be the cost of carrying the property shut down and accordingly operation of such mill is being continued for the time being at least.

Provincial Paper Limited was operating as an independent unit and at the date of receivership was reported to be earning profits, but insufficient to permit the payment of a dividend upon the Common shares owned by Abitibi Power & Paper Company Limited; the Company is, however, in a sound financial position, with ample working capital.

Since the date of the Receivership steps have been taken to reduce costs of administration and of carrying shut down mills, and with the economies already made and those in course of being effected, the accounts of the Receiver and Manager indicate that for the period September 10th, 1932, to November 30th, 1932, income exceeded expenditures by approximately \$300,000. Included in the income for such period are earnings of subsidiary companies and rentals of properties; also earnings from operations, with pulpwood and supplies charged into manufacturing costs at the estimated replacement or appraised values thereof. Items charged as expenses include, amongst others, the costs of carrying shut down properties, losses sustained in operation of the Thunder Bay mill, and interest upon the amount owing on the purchase of shares of such Company, interest upon borrowings of the Receiver and Manager and costs of administration, but do not provide for depreciation upon the properties of the Company or its subsidiaries, bond interest, capital obligations, or interest upon advances made to the Company prior to the date of Receivership.

One of the most important problems to be faced in connection with the receivership is the condition of the Thunder Bay Paper Company Limited purchase hereinbefore referred to. If the obligations assumed under such purchase agreement are to be carried out Abitibi Power & Paper Company Limited may require to pay upwards of \$400,000 per annum of principal and interest to the Vendors and also meet losses from operation or the carrying costs of the property shut down. In the alternative if the agreement should not be carried out the Abitibi Company would lose its investment of \$6,600,000 in the undertaking. This problem is receiving serious attention.

Question will also arise as to the advisability of continuing to carry the Murray Bay paper mill—which has never been operated—at an annual cost of \$323,000, or in the alternative, of surrendering certain leases attached to it and either boarding up the property or selling it, to get rid of expense. Similarly, consideration will require to be given to the course proper to be followed with respect to the Espanola and Sturgeon Falls mills.

In preparing the foregoing the undersigned has had in mind the desirability of giving in a general and tentative manner a broad view of the matters with which, as Receiver and Manager, he has to deal. It is not intended that this report should exhaustively enter into the numerous questions that arise under the complicated situation which has come about by the default of the Company. The statements of facts herein are accurate so far as the undersigned has been able to ascertain, but he does not represent or guarantee their correctness.

G. T. CLARKSON,

Receiver and Manager.

Toronto, February 28th, 1933.

ABITIBI POWER & PAPER COMPANY LIMITED

ESTIMATED STATEMENT OF ASSETS AND LIABILITIES

AS OF DATE SEPTEMBER 10TH, 1932

POSITION FROM STANDPOINT OF BONDHOLDERS

ASSETS:

as appraised:

Current assets and securities claimed to be pledged to Bankers.....	\$5,569,880	
Less—Bankers' advances there-against.....	4,261,038	
		<u>Equity therein.....</u>
		\$1,308,842
Current assets not pledged.....		725,286
Investments in bonds of other than subsidiary corporations as valued.....		40,000
		<u>\$ 2,074,128</u>

at book values, after deduction of relative reserves there-against:

Investments in shares of and advances to corporations which are not wholly owned subsidiaries.....	\$ 875,374	
Investments in securities of and advances to subsidiary corporations....	45,214,592	
Investments in mills, townsites and buildings, railways, water powers and equipment.....	47,997,753	
Timber concessions and freehold timber owned.....	20,005,795	
Real estate and buildings.....	328,623	
Chattels and equipment.....	35,602	
Prepaid expense and operating items.....	270,684	
		<u>\$114,728,423</u>
Total of Assets—on above bases.....		\$116,802,551

LIABILITIES:

Items estimated to be payable in priority to claims of Bondholders....	\$1,105,301	
First Mortgage 5% Gold Bonds due June 1st, 1953:		
Principal amount outstanding.....	\$48,267,000	
Interest overdue and accrued to September 10th, 1932....	1,877,050	
Reserved for tax refunds and other items.....	17,642	
		<u>50,161,692</u>
Total excluding trade, contingent, damage and possible deficiency claims and the rights of Shareholders		\$ 51,266,993

NOTE—It is impossible to presently appraise what the realizable values of the properties and investments above mentioned may be but having regard to existing conditions and present earning capacity it is believed that in the aggregate they are substantially below the book costs above set out.

CLAIMS OF CREDITORS RANKING AFTER THOSE OF BONDHOLDERS

DIRECT CLAIMS:

To Trade Creditors..... \$291,689

SECURED CLAIMS:

- (1) Banque Canadienne Nationale, Quebec, P.Q.

Advances to Murray Bay Paper Co. Ltd. repayment of which is
guaranteed by Abitibi Power & Paper Co. Ltd. \$35,493

Less—Securities claimed to be held there-against:

(a) Deposit of Abitibi Power & Paper Co. Ltd. \$29,083

(b) Section 88 of Bank Act covering pulpwood, of
uncertain value. 29,083

Possible ranking \$6,409

- (2) Consolidated Water Power & Paper Company, Wisconsin Rapids, Wis.
Balance owing on purchase of shares of Thunder Bay Paper Co. Ltd. \$2,828,239

Secured by—20,000 shares of a par value of \$100 each, being the
whole of the Capital stock of Thunder Bay Paper Co. Ltd.

Estimated no ranking.

CONTINGENT AND/OR UNSETTLED CLAIMS:

- (3) Newsprint Bond and Share Company, Montreal, P.Q.

In respect of subscription for 15,603 shares of such Company, of a
par value of \$1,560,300.

Amount unpaid and/or uncalled thereon..... 608,464

Ranking indeterminate.

- (4) Montreal Trust Company, Montreal, P.Q.

As Trustee for Bondholders of Ontario Power Service Corporation
Limited, under agreement to purchase power from hydro electric
development of such Company.

Claim indeterminate

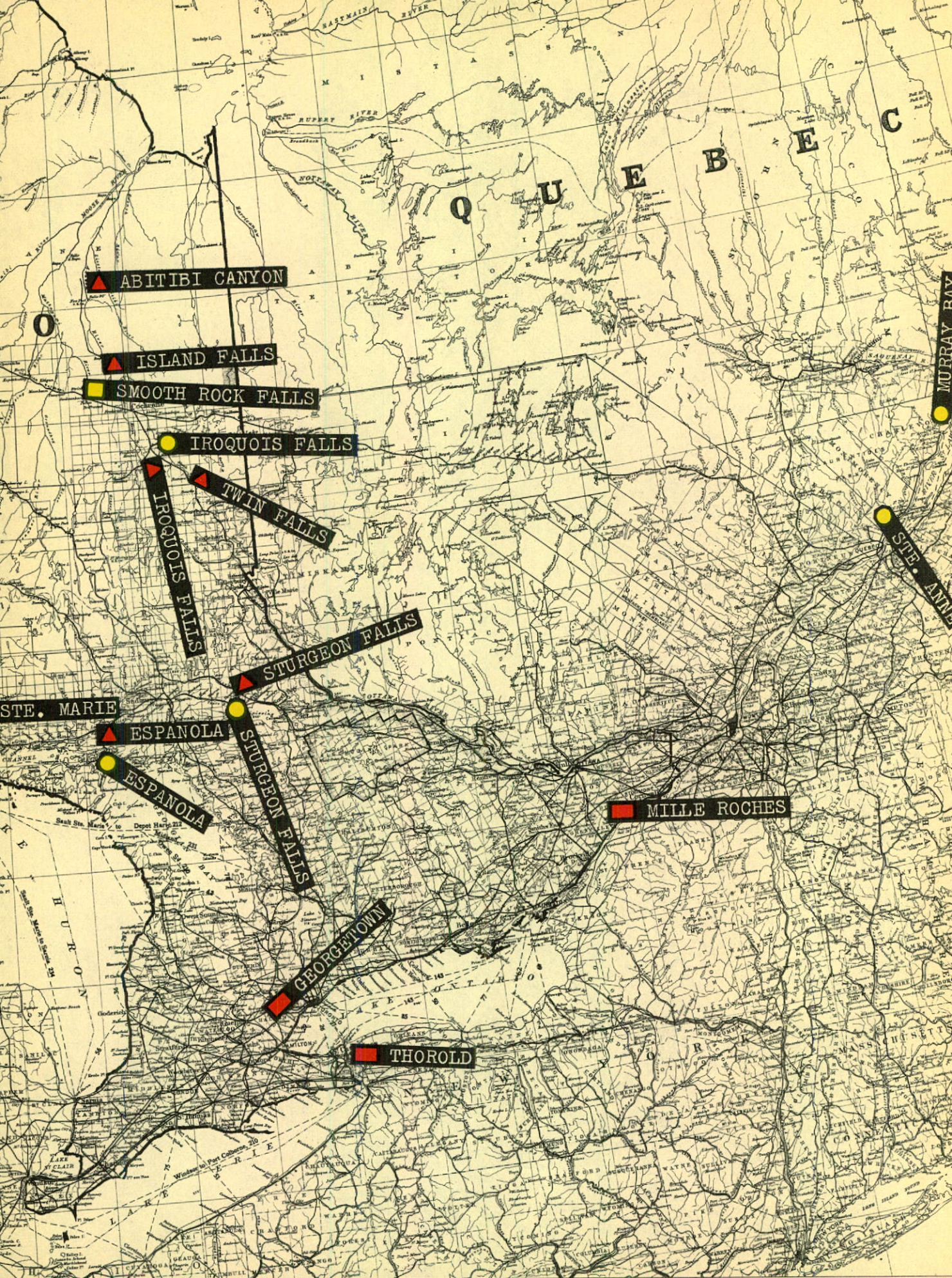
- (5) The Hydro Electric Power Commission of Ontario, Toronto, Ont.

Under agreement to purchase power for use of Espanola mill.

Claim indeterminate.

INTERESTS OF SHAREHOLDERS RANKING JUNIOR TO THOSE OF BONDHOLDERS AND CREDITORS

- (a) First Preference 7% Cumulative Preferred shares..... \$ 1,000,000
with dividends thereon from October 1st, 1931.
- (b) 6% Cumulative Preferred shares..... 34,881,800
with dividends thereon from April 1st, 1931.
- (c) Common shares, of no par value, to the number of..... 1,088,117



▲ ABITIBI CANYON

▲ ISLAND FALLS

■ SMOOTH ROCK FALLS

● IROQUOIS FALLS

▲ IROQUOIS FALLS

▲ TWIN FALLS

▲ STURGEON FALLS

STE. MARIE

▲ ESPANOLA

● ESPANOLA

▲ STURGEON FALLS

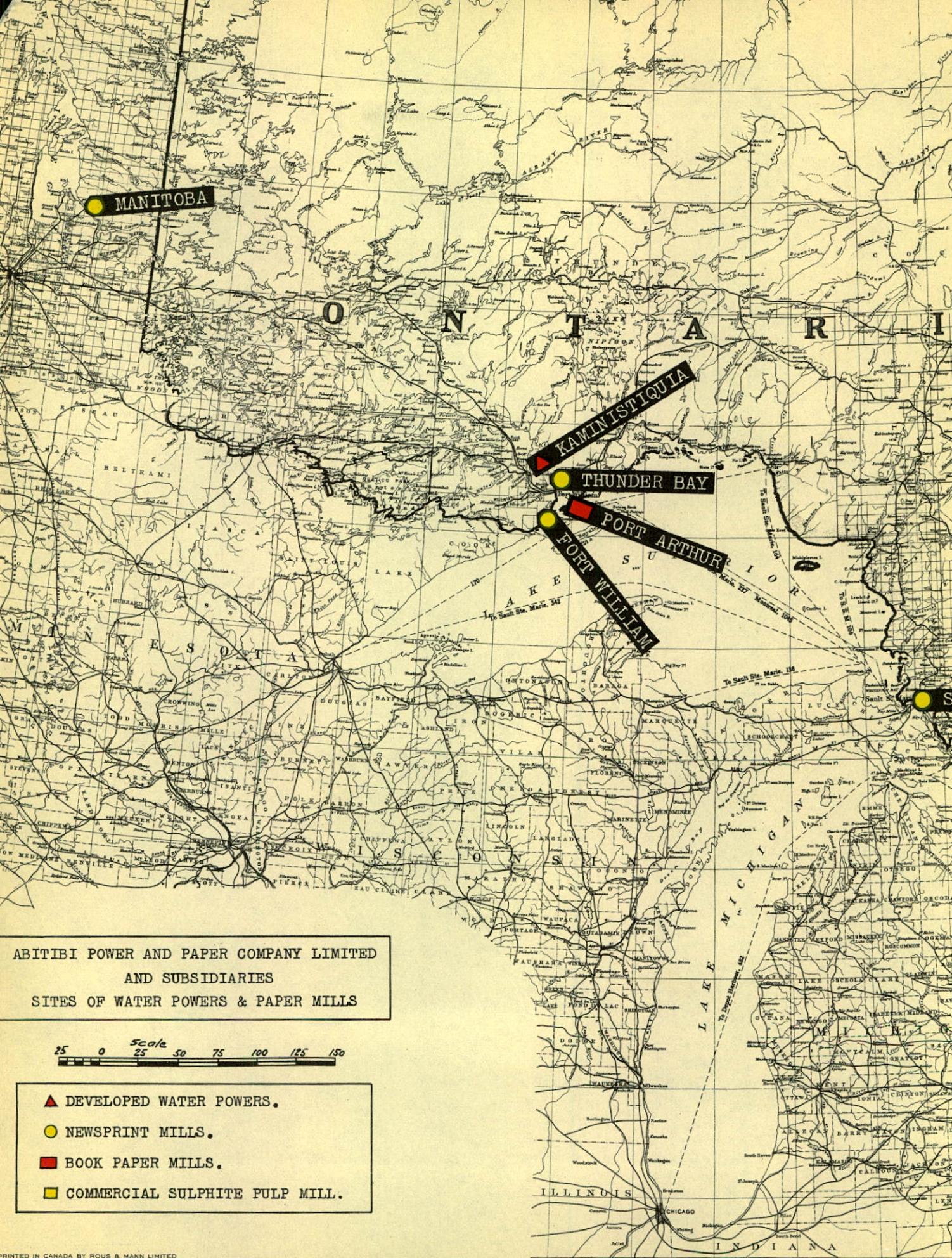
■ MILLE ROCHES

■ GEORGETOWN

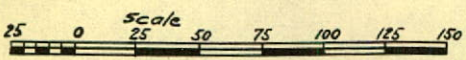
■ THOROLD

● MURRAY BAY

● STE. ANNE



ABITIBI POWER AND PAPER COMPANY LIMITED
AND SUBSIDIARIES
SITES OF WATER POWERS & PAPER MILLS



- ▲ DEVELOPED WATER POWERS.
- NEWSPRINT MILLS.
- BOOK PAPER MILLS.
- COMMERCIAL SULPHITE PULP MILL.

